

January 2013

2012 Economic Review and Future Forecast

2012 was a volatile year, plagued by momentum buying and selling of equities. “Fiscal Cliff” concerns in the U.S dominated the headlines late in 2012.

The Canadian S&P/TSX results were positive, however not as strong as many other major stock exchanges in the world. After an 11% decline in 2011, the Toronto Stock Exchange closed 2012 in positive territory with a 7.2% gain for the year.

In the U.S., all three major stock markets provided strong positive returns for the year. For example, the S&P 500 Index in the U.S. increased by 13.4%.

Several European Success Stories

Despite concerns with European debt and recessions, several of the continent's stock markets performed reasonably well. The continent-wide Euro Stoxx Index was up by more than 13% in 2012. France, Germany, Switzerland, Italy and Greece all realized positive returns. Asian stocks also performed well overall.

Looking Ahead to 2013

An overall global slowdown is likely to impact the Canadian economy and the stock markets in 2013. The anticipated slowdown in the domestic housing market as well as concerns regarding commodity prices and global exports are making it challenging to project economic growth and stock market yields in 2013.

Potential volatility in equity markets exists, as much depends on economists’ and investors’ reactions to the U.S. “Fiscal Cliff” agreement, the catch-all term for U.S. tax increases and spending cuts.

Investors in Balanced or Equity Funds could see volatility in the value of portfolios and you are encouraged to maintain a long-term focus. In addition, you should be aware of the potential impact on bond prices in fixed income portfolios, as the potential for inflation could result in a rise in interest rates and decrease in bond prices, and a corresponding decrease in bond returns.

To discuss market returns or review your investments, please contact Reuter Benefits at 1-800-666-0142 or via email at retire@reuterbenefits.com.